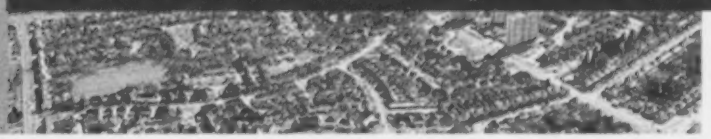
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Vancouver and Abbotsford CMAs



Canada Mortgage and Housing Corporation

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Vancouver Highlights

Housing market conditions in Vancouver will favour buyers into early next year. Demand for both new and resale housing has waned in the face of economic uncertainty and job losses. An ample supply of homes for sale, coupled with softer demand, will keep home prices trending lower. Investor demand has eased since home prices started declining last spring. However, with home prices already at levels not seen in two and a half years, improving affordability will attract the interest of some first-time buyers. Steady population growth through migration will also support housing demand going forward.

New home construction has declined in the first few months of the year, a trend that will moderate but persist through the remainder of 2009 and into 2010. Builders have acted quickly in response to changing market conditions, delaying new projects until existing inventories of both new and resale homes are absorbed. The relatively higher price of new compared to existing housing and the elevated number of resale homes for sale will

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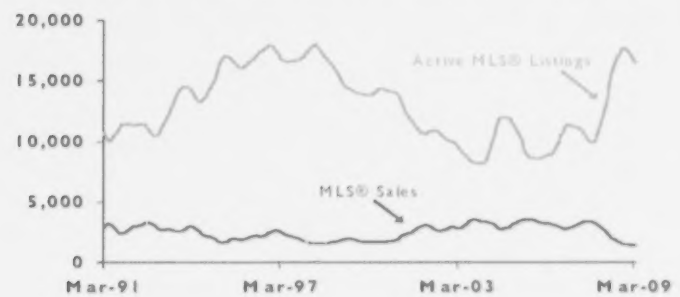
Market Conditions Favour Buyers



Source: REBGV, Includes Single Detached, Attached & Apartment
Seasonal Adjustment, Trend Cycles generated by CMHC

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mean less spill-over demand for new homes. Savvy developers and marketers of new projects have led the market, offering price reductions in order to remain competitive.

Slower economic growth will also have implications for Vancouver's rental market. Job losses, which have been concentrated in full-time employment, will ease demand for rental accommodation. However due to generally lower monthly rent relative to rental condominiums, purpose-built rental apartment vacancies will remain in the one to two per cent range. The uncertainty spawned by global economic change may provide some support for rental demand as potential home buyers delay buying their first home.

Metro Vancouver[1] Resale Markets Favour Buyers

Buyers' market conditions that began in mid 2008 will persist through this year, before supply and demand conditions become more balanced in 2010. Sales will remain modest compared to recent years and a sustained, elevated supply of listings will have buyers in the driver's seat. As a result, home prices will continue to adjust lower. Slower economic growth will keep demand for home ownership sluggish through early next year. Following a slower start to 2009, the downward sales trend will flatten out later this year as first-time buyers take advantage of lower home prices to enter the market. Total sales for the year will be 13 per cent lower than last year, before recovering in 2010.

Buyers will enjoy ample choice, although the number of new listings coming onto the market each month has moderated since mid 2008. Since its peak last fall, the number of active listings has declined (see chart above), meanwhile sales have also been down, suggesting that some sellers have chosen to let listings expire or taken their homes off the market for other reasons. The number of homes for sale will remain high compared to the past few years, but will trend lower through 2010 as sales improve.

Home prices will adjust to softer demand and an elevated supply of listings. In past housing cycles, prices have adjusted lower for an average of just less than two years, with a total peak-to-trough reduction of between 25 and 30 per cent. The monthly average resale home price peaked in the spring of 2008 and by March of this year was down by 15 per cent.

This trend will continue into late 2009. The annual average MLS®[2] price will decline 13 per cent this year and a further two per cent in 2010. These changes will be seen across all home types, with single detached homes holding their value just slightly better than condominiums.

New Home Construction Down from Peak Levels

Well-supplied resale and new home markets combined with lower sales will keep home starts trending down this year. Demand for new homes will be lower this year, as more buyers are able to satisfy their needs from the abundant supply of resale homes for sale. Lower demand along with a growing supply of unsold new homes will contribute to fewer projects starting construction in the near term. Look for total starts to be down 44 per cent this year, to 11,000 units, before starting to recover modestly in 2010.

Both multiple-unit and single family home building will decline this year, as developers wait for market conditions to improve. Starts of multiple-unit projects will decline more than single detached home starts.

Although the recent slowdown in new construction will stem the supply of new housing available, the large number of projects underway and completing during the next year will ensure a steady flow of new homes available for purchase. At the end of the first quarter of 2009, the inventory of unsold single detached homes had increased by just under 40 per cent compared to the same time last year, while the supply of unsold multiple-unit homes had doubled.

Figure 2

Prices Decline from Spring 08 Peak

Source: REBGV, Seasonal Adjustment, Trend Cycles generated by CMHC
% Change from Peak to Mar 09, CMHC calculation

Apartment condominium absorptions are still closely tracking completions, but many of these units were pre-sold well before completion, when demand was stronger. It is not known how many pre-sale contracts are re-entering the market as assignments or how many absorbed units are re-entering the market as 'brand new resales'. Many avenues for reselling new units cannot be tracked with accuracy. Approximately one-quarter of the March MLS® apartment listings in Metro Vancouver had an estimated construction date of 2008 or later[3]. This added about 1,300 'new or near-new' apartments to the unabsorbed inventory of just over 400 units that were reported as for sale by builders. Lower levels of pre-sales on more recent projects will contribute to a slowdown in absorptions going forward. With the number of homes under construction still at high, albeit moderating, levels, the inventory of unsold new homes will continue to increase as these projects complete.

In the wake of the slowdown in demand for ownership housing, there are some signs of renewed interest in building new rental projects or converting new condominium apartments to rental units. However, even with reduced construction costs, the economic viability of new rental construction is challenging. Over the past few years, only about three per cent of all home starts were rental. Land costs remain high and achievable rents lower than ownership carrying costs, making the feasibility of rental projects difficult. As a result, only a very modest uptick in rental starts is likely to materialize.

Figure 3

New Condominium Supply Moderating

Source: CMHC, End Point Mar 09

Rental Market to Ease Slightly

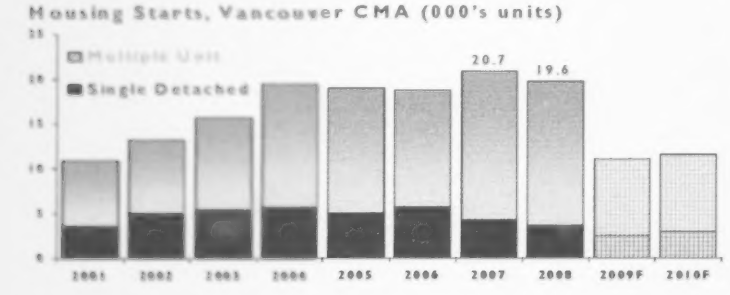
As the impacts of the global economic uncertainty continue to impact Vancouver's economy and job market, demand for rental accommodation will wane. Due to their relative lower rent compared to rental condominiums, rental apartment vacancy rates will rise only moderately this year and next. The average purpose-built apartment vacancy rate will rise to one per cent this year and 1.5 per cent in 2010. Rental condominium vacancies will also rise, as some investors choose to rent their units out to help cover monthly mortgage carrying costs. Demand for upper-end rental housing will continue to be satisfied by rental condominiums which offer newer, more modern finishing and amenities such as fitness facilities and green spaces.

Economic Slowdown Impacts Housing Demand

The Vancouver economy has not been immune to the effects of the global economic uncertainty. Total employment has been trending lower since August 2008. Much of the loss has been in full-time jobs. This has had an adverse impact on housing demand. Meanwhile, companies have taken on more part-time workers to remain flexible and deal with the challenges of the current economic climate. Unemployment has reached levels not seen since 2005 and will remain high through most of this year and next. Most goods-producing industries, including construction, have recorded job losses in recent

Figure 4

Developers Pull Back on New Projects



Source: CMHC, CMHC Forecast

months, while service employment has trended flat. As a lagging indicator of economic health, the job market will likely not improve until after financial markets start to turn around.

The slowdown in employment has impacted retail sales in the region, as consumers pull back on discretionary purchases. Total retail sales were down 6.5 per cent in January 2009, compared to the same month last year. However, average weekly wages continue to grow.

Despite the slowing economy there are several factors that will support housing demand including improved affordability brought on by a combination of low mortgage rates, declining home prices and continuing wage growth. Steady population growth (through migration) of about 30,000 people or more on an annual basis, will also provide some support for housing rental and ownership demand going forward.

Another bright spot in the economic outlook is that there is more than $30 billion worth of major projects proposed for the Lower Mainland as of the end of 2008. The largest of the proposed projects include upgrades to the Iona Island Wastewater Treatment Plant ($1.0 billion) and several residential projects. While many of these projects are in the very preliminary stages, the economy should get a boost as some of these projects go forward. In addition, there is $4.5 billion worth of major projects currently on hold in the Lower Mainland, including several residential new builds.

[1] *In this section on the resale market, Metro Vancouver refers to The Real Estate Board of Greater Vancouver (REBGV) board area, which does not include Surrey, Langley, White Rock, North Delta, Abbotsford, or Mission. These municipalities are covered in the Fraser Valley resale section of this report.*

[2] *MLS® is registered trademark of the Canadian Real Estate Association (CREA)*

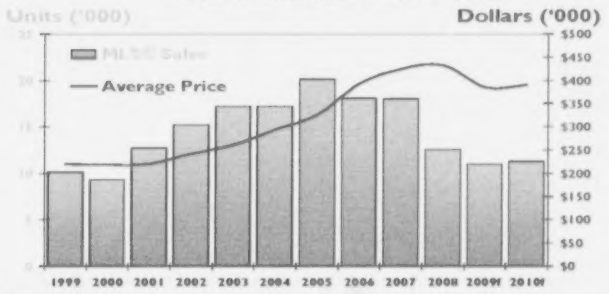
[3] *Source: MLXchange (REBGV), calculation by CMHC*

Fraser Valley Highlights

Home sales in the Fraser Valley will moderate this year and homebuyers will enjoy an expanded selection of homes for sale. Through the year, homebuyers will be able to secure mortgages at some of the lowest rates ever recorded. The timing of low mortgage rates and softening home prices will help buyers.

Figure 5

Resale Activity and Prices Decline, Will Stabilize in 2010



Source: FVREB, CMHC Forecast
Note: FVREB Area includes Abbotsford, Mission, Langley, Surrey, White Rock and North Delta

However, the slowdown in economic and job growth will temper demand for housing. These buyers' market conditions will keep prices trending lower this year, before they improve in 2010.

After several successive years of strong construction activity, housing starts will decline during the next two years. With supply outstripping demand on the resale side, builders are not inclined to bring more homes to the market. Housing starts have been declining since the fourth quarter of 2008 and will come in at less than half the level recorded last year.

Resale Market Will Benefit Fraser Valley Buyers

Fraser Valley existing home sales will moderate in 2009. Demand will stabilize later this year as buyers take advantage of softening prices, a good selection of listings and low interest rates. Sales will pick up during the spring and summer, but remain below levels of the past few years. Total MLS® sales will be down 13 per cent in 2009 and will be flat in 2010.

The number of new homes listed for sale will moderate, but remain at high levels in 2009. In 2008, close to 32,000 homes were listed for sale in the Fraser Valley, a 25 per cent increase over the average number of listings from 2002 to 2007. New listings will decline by 13 per cent in 2009 before decreasing slightly in 2010. Homes are being listed for longer as a result of waning demand and increased competition. Sellers will be less willing to put their homes up for sale when prices are trending lower.

Fewer sales and a large supply of homes for sale will move home prices lower this year. More choice for buyers has led some sellers to accept offers below the asking price. Even though demand will stabilize, new listings will remain at high levels and continue to push prices down in 2009. Total prices this year will finish eleven per cent below 2008 averages, and then increase, by three per cent, in 2010 as homeownership demand picks up.

Sales and prices in the Abbotsford CMA will closely follow the trends noted for the Fraser Valley. Year-over-year sales in Abbotsford will decline by ten per cent in 2009 and move up marginally in 2010. The annual average home price will move down by ten per cent between 2008 and 2009 and then hold steady the year after.

There are downside risks to the resale forecast on both the supply and demand side. High levels of construction activity in the Abbotsford CMA and Fraser Valley will boost the supply of homes available for sale this year. An estimated 6,800 homes will be completed in 2009, many of which are investor-owned condominium apartment units. Homebuyers selling their current homes before moving into their recently purchased home may also increase listings to higher than expected levels. A significant increase in the supply of listings may lead to even stronger downward pressure on prices, especially condominium apartment prices.

The economic downturn has increased unemployment in the Fraser Valley. Fewer job opportunities point to slower population growth. If job losses are higher than expected, demand for housing will weaken, moving sales lower. If demand weakens further, expect home prices to follow suit.

Housing Starts Will Decrease in Abbotsford

Housing starts in the Abbotsford CMA will move down in both 2009 and 2010, dropping back from the high levels of new home construction recorded in recent years. With supply outstripping demand on the resale side, builders are not inclined to bring more homes to the market. The rise of newly completed and unabsorbed homes in the Abbotsford CMA is another reason for the pull back in new residential construction. Developers are holding back on construction until this inventory comes down. Housing starts have been declining since the fourth quarter of 2008 and will come in at less than half the level recorded last year.

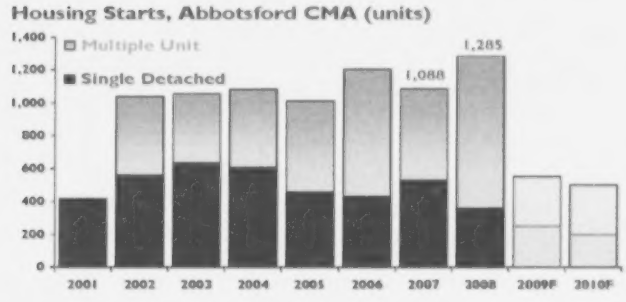
The number of completed, unsold new homes available for immediate move-in is approaching levels not seen since the mid-1990s. However, it should be noted that in the mid-1990s the majority of unsold new homes were apartment condominiums. Single-detached homes now make up the lion's share of new homes ready for immediate move-in.

Multi-family housing starts will drop this year and next. Pre-sales of new multiple family units have cooled off, pointing to reduced demand. Expect multiple-family home starts to decline by over two-thirds in 2009. Any new projects that begin construction will be smaller in scale and phased by the developer, based on demand.

The construction of new single-detached houses has been on the decline since 2007, and is expected to drop by nearly one-third in 2009. Affordability is the main reason for this change, as the price of a single-detached house is nearly twice that of an apartment condominium.

Figure 1

Fewer Starts Expected



Source: CMHC, CMHC Forecast

Economy Slows Down in 2009

The current economic slowdown will affect housing demand in the Fraser Valley. Low interest rates and softening prices will encourage homebuyers to enter the market. However, the unemployment rate has been rising and will continue to move up through 2009, dampening homeownership demand. As consumer demand for goods and services lessens, job losses are expected to rise. Total employment will decline by one per cent this year and stabilize in 2010.

The goods sector will account for most of the job losses in the region. Employment growth in the construction industry is slowing, following strong growth during the past few years. Large residential projects that were started last year will keep workers busy through most of 2009, but developers are pulling back on new residential developments. The non-residential sector will provide some stability, as infrastructure projects in the pipeline are expedited to boost the economy.

Other industries in the goods sector have also felt the economic slowdown. Declining consumer demand has diminished the manufacturing industry in the region. Spin-offs linked to manufacturing have also felt the slowdown. More Job losses will occur in agriculture and forestry as demand for these goods weakens.

The service sector will be stable over the next couple of the years. Jobs in the service sector provide two-thirds of the employment in the Abbotsford CMA Education services will continue to grow as people plan to re-educate or stay in school longer. The completion of the Abbotsford Regional Hospital last year will be a key driver for health care and services in the region. Job growth in these industries will off-set some of the job losses occurring in the warehousing, transportation and retail trade sectors.

[1] *Note that this section now refers to the Fraser Valley Real Estate Board Area, including Abbotsford, Mission, Langley, Surrey, White Rock and North Delta (previous editions of the report referred only to the Abbotsford CMA.*

Forecast Summary Vancouver CMA Spring 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	36,479	38,978	25,149	22,000	-12.5	25,000	13.6
MLS® New Listings	54,947	57,145	65,118	55,000	-15.5	54,000	-1.8
MLS® Average Price ($)	509,876	570,795	593,767	516,000	-13.1	504,000	-2.3
New Home Market							
Starts:							
Single-Detached	5,614	4,211	3,634	2,500	-31.2	2,900	16.0
Multiples	13,091	16,525	15,957	8,500	-46.7	8,600	1.2
Semi-Detached	676	678	709	350	-50.6	350	0.0
Row/Townhouse	2,852	2,635	2,309	1,650	-28.5	1,650	0.0
Apartments	9,563	13,212	12,939	6,500	-49.8	6,600	1.5
Starts - Total	18,705	20,736	19,591	11,000	-43.9	11,500	4.5
Average Price ($):							
Single-Detached	710,526	840,045	904,239	895,000	-1.0	890,000	-0.6
Median Price ($):							
Single-Detached	585,000	659,900	700,000	695,000	-0.7	692,000	-0.4
New Housing Price Index (% chg)	6.9	7.2	2.3	-5.0	-	-1.0	-
Rental Market							
October Vacancy Rate (%)	0.7	0.7	0.5	1.2	0.7	1.5	0.3
Two-bedroom Average Rent (October) ($)	1,045	1,084	1,124	1,164	-	1,210	-
One-bedroom Average Rent (October) ($)	816	846	880	910	-	945	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.9	5.29	0.5
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.4	5.94	0.3
Annual Employment Level	1,187,100	1,222,700	1,241,600	1,217,000	-	1,223,000	-
Employment Growth (%)	2.7	3.0	1.5	-2.0	-	0.5	-
Unemployment rate (%)	4.4	4.0	4.3	6.4	-	6.7	-
Net Migration [1]	31,493	33,000	36,000	37,000	2.8	38,000	2.7

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 & 2008 migration data are estimates

Forecast Summary
Abbotsford CMA
Spring 2009

	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market[1]							
MLS® Sales	18,093	18,032	12,588	11,000	-12.6	11,250	2.3
MLS® New Listings	23,851	26,873	28,798	25,000	-13.2	24,500	-2.0
MLS® Average Price ($)	393,047	423,761	431,781	385,000	-10.8	390,000	1.3
New Home Market							
Starts:							
Single-Detached	427	527	358	250	-30.2	200	-20.0
Multiples	780	561	927	300	-67.6	300	0.0
Semi-Detached	10	8	46	10	-78.3	10	0.0
Row/Townhouse	89	103	103	55	-46.6	55	0.0
Apartments	681	450	778	235	-69.8	235	0.0
Starts - Total	1,207	1,088	1,285	550	-57.2	500	-9.1
Average Price ($):							
Single-Detached	461,583	517,840	548,363	540,000	-1.5	550,000	1.9
Median Price ($):							
Single-Detached	449,000	489,950	517,950	500,000	-3.5	510,000	2.0
New Housing Price Index (% chg) (B.C.)	6.5	6.4	2.1	-3.0	-	-1.5	-
Rental Market							
October Vacancy Rate (%)	2.0	2.1	2.6	3.2	0.6	3.5	0.3
Two-bedroom Average Rent (October) ($)	719	752	765	780	-	792	-
One-bedroom Average Rent (October) ($)	582	610	627	645	-	660	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.9	5.29	0.5
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.4	5.94	0.3
Annual Employment Level	82,300	84,800	88,000	87,000	-	88,000	-
Employment Growth (%)	5.1	3.0	3.8	-1.1	-	1.1	-
Unemployment rate (%)	4.6	4.2	4.9	7.1	-	7.5	-
Net Migration [1]	781	875	920	945	2.7	955	1.1

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) Resale Market data and forecasts are for the Fraser Valley Real Estate Board Area (includes Surrey, Langley, North Delta, White Rock, Abbotsford and Mission)

(2) 2007 & 2008 migration data are estimates

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